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THE PROFESSION OF ACCOUNTANCY

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Business is the most obvious if not the most potent force in modern civilization. It is the province of business to produce wealth or, more accurately speaking, to make latent resources available as wealth to mankind. Gold, silver, iron, coal, the fertile soil—all these exist, but until touched by the transforming hand of business they are of little or no service.

Business, to the individual, means private gain; but ultimately it must serve a larger purpose. Railroads are built and operated for profit—not for philanthropy. Yet how much they contribute to the comfort and convenience of the community! The telegraph and telephone in the public eye are purely business enterprises; but in the contemplation of their function we seldom think of the stockholder and his dividends. We view them rather as great public utilities without which our modern life would be sadly crippled—or impossible. A manufacturer or a merchant expects to reap a personal reward for his enterprise and efforts, but if his factory or his store does not do more than enrich him, in short, if it does not add to the wealth of the community it will not long survive. A community without wealth may be, theoretically, very attractive but progress and the fulfillment of the purposes for which the human race was created will begin only when that community takes its first steps in the accumulation of wealth.

The world has been remarkably slow in its appreciation of the broad and ennobling aspects of business. Trade was too long frowned upon as sordid and unworthy, and even now what may be termed the business professions have to struggle for elbow-room.

Recent years have witnessed a remarkable increase in the wealth of the world. It is quite safe to say that this addition during the past fifty years has been greater than that of the first fifteen hun-

dred of our present era. One of the direct results of this immense accumulation is the changed methods by which it is managed. The control of vast interests demands exceptional ability. Hence, the tendency has been strongly toward large corporations where huge sums, whose ownership is scattered among many, are under the management of the few.

Books or written accounts have been recognized from time immemorial as an essential element of business — the clay tablet of antiquity bearing striking testimony to the care with which ancient peoples recorded their transactions. When business was conducted in a small way and mostly by individuals on their own behalf the accounts relative thereto were correspondingly simple; but with the transition to a more complex form of organization and method of administration, the accounts have ceased to be a mere record, valuable as history or as an aid to memory. They have become the chief means of control.

Management rests no longer with the individual owner. It has passed to those who, by reason of special talents, act in a representative capacity. Their ability and fidelity are judged by the accounts. The real owners — the stockholders — oftentimes never see their property, and their basis of judgment is the balance sheet and accounts presented to them from time to time. The representatives of the owners — the directors and officers — cannot be personally familiar with any but the general aspects of a large business, so that they in turn conduct the enterprise in hand through employees and agents whose usefulness is determined in many, if not in most instances, by the statements prepared from the accounts. The accounts are, or should be, to the business organization what the nerves are to the human body — the effective means of control.

It therefore becomes a matter of the first importance in the administration of any large enterprise that it adopt a system of accounts that will accurately and promptly reveal every manifestation of the current upon which the business is embarked. The management must steer the course according to the chart. Many a fine business finds itself hopelessly upon the rocks because, in fancied security, a course was set contrary to the significant facts or real indications which should have been ascertained and would have been known had not the accounts, at some point, failed to indicate the course of safety.

While this is especially applicable to affairs of magnitude there remain, and doubtless there always will be, many enterprises doing a small business, and unless these observe the same economic laws they will either be forced aside or swallowed up by their stronger competitors. Growth, and expansion come only in this way. Proper accounting is as essential in a small business as in a large one. Methods that are less complex meet the needs of the former but the general principle involved is the same.

The accounts, then, of modern business concerns are an element vital to success. They may bear little resemblance to the labored entries of simple sales and purchases, of cash received and cash paid out, which constituted the main features of the business records of a few decades ago. Time was, when a notched stick split in two, one piece in the hands of the creditor and the other in possession of the debtor, was sufficient record of a business transaction, but a great railroad system or a department store was then an impossibility — impossible even had it been contemplated.

The growth of business, both in its proportions and in its complexity and ramifications, has created a demand for men specially qualified and trained to deal with business problems from the viewpoint of the accounts. The answer to this demand is the public accountant. Let us look for a moment first at his history, next at some of the things he aims to do, and then at his equipment for a complex and highly responsible service.

On the other side of the Atlantic, particularly in Scotland, the public accountant has had a fairly well defined position for about a century. In England the public accountants during the past fifty years have formed a large and influential body, and enjoy a standing comparable to members of the legal profession. In this country the public accountant is a more recent development, having had but little prominence or influence until twenty years ago or less; but during the past five or ten years his progress in numbers and importance in the business community has been very rapid. Even yet, however, people who should be better informed, look upon the public accountant as an "expert" or sort of master-book-keeper.

The work of a public accountant may be roughly divided into two classes — first, the devising and installing of systems of accounts,

and second, the audit and examination of accounts. The first is constructive or synthetic, the second analytical.

The accounting system of a business should be carefully designed to meet the requirements of that particular business. It must also be accurately adjusted to the general and incidental needs of each situation, having, moreover, regard not only to the usual objective requirements of the class of business in question, but also, at least to some extent, to the personal idiosyncrasies of those in charge of the enterprise. This line of work is interesting and its results are of permanent value to the client.

To be successful a public accountant must be able to grasp quickly the essential features, the statics and dynamics, the risks and possibilities, of any business, and to comprehend and apply the principles and forms of accounts best suited to the case in hand. This involves not only a knowledge of the forms and methods used in recording transactions—and this is a constantly growing science upon which he must keep fully informed—but also calls for the ability to fit men to measures in such a way as to secure satisfactory results, even though at times the materials are somewhat refractory. Much tact and patience are required to perfect an organization that will reduce, say a manufacturing establishment that has been running for years in a rut, to new order and adequate control, and to do it without disrupting the staff to such an extent as to make the game not worth the candle. This means insight, discrimination, and not least, an agreeable address. It must be remembered that accounting is no longer a thing confined to the privacy of the office, but it reaches out in intimate relation to the most remote sections of the organization.

A change in accounting methods may provoke a strike of unskilled laborers, and the work of a public accountant in revising the accounting system of a client often shows the necessity of replacing many officers and employees who are no longer able to conceal their lack of fitness for the position occupied. There is need here for a quiet courage and a persuasive common sense. A more pleasant feature of the accountant's work is that it almost always brings to light other employees who are capable of development, but who, under the old order, were handicapped, repressed, or perhaps quite undiscovered.

Upon the analytical side the public accountant's activities have

a wide range. But it should be noted, in passing, that while, theoretically, the two main divisions of this work are quite separate, in practice they are closely associated — the constructive being but an outgrowth of and oftentimes supplemental to the analytical. Again, it frequently occurs that for the same client they go hand in hand for years, for a good accounting system, like machinery or other equipment, needs to be kept up to date.

The analytical work of a public accountant embraces such engagements as making investigations upon behalf of a prospective purchaser, for a proposed consolidation of two or more concerns, to determine questions of cost or profits under specific contracts, or to establish interests between partners. In other cases it may be to secure evidence to prove the guilt or innocence of a person or persons suspected or accused of the misapplication or abstraction of funds. In fact, in every business relation involving questions of funds or property, or the interpretation of contracts relating thereto, the public accountant may be called in to discover the facts and to point out their relation as cause or effect. In so doing he must be impartial — his attitude being that of a fearless judge, who must never become the advocate with a case to prove.

In addition to the various forms of investigation for special purposes, some of which have been mentioned, a large measure of the public accountant's attention is engrossed with audits and examinations for which he has been engaged to the end that owners and management alike may have the benefit of his critical supervision of fiscal operations.

As already noted, it is quite impossible for the owners of a large business to be personally familiar with its operations, and yet it is imperative that they should be assured of the truthfulness of the information furnished them. In like manner, those in executive authority must delegate their functions to subordinates, with an assurance that these be not placed under unnecessary temptation and act with fidelity and intelligence to the trust imposed.

Public opinion is fast forcing corporations that offer their shares and other securities for sale upon the exchanges to publish at least annually, some account setting forth the position of the company, and the results of its operations for the preceding fiscal period. At first these publications were made grudgingly and contained the minimum of information. More recently, corporate man-

agements have recognized that it makes for stability to be fair with the investing public, and there is a manifest disposition to have published accounts more full and complete. Still more recently, some of the more progressive corporations have taken a further step in advance, and have published with the balance sheet and accounts a certificate of a public accountant, to the effect that the accounts submitted have been audited by him and are not only in accord with the books of the company, but are substantially a true and correct presentation of the company's affairs.

Safeguards that are reasonably effective now prevent such shameless over-issues of securities as characterized the financial history of this country thirty years ago, but the enormous assets and liabilities of the large corporations of to-day offer an opportunity for dishonest or unscrupulous officers and directors to so manipulate the accounts as to leave the investor in the dark or absolutely to mislead him as to the condition of his property. This juggling of figures, coupled with stock jobbing operations that do not bear close inspection, constitutes one of the worst evils in the financial world.

Some attempt has been made to remedy this evil by legislation. For a long time this has been the lazy man's short cut — pass a law, create a department or bureau, appoint a chief with a train of assistants and examiners, and, like travellers in a sleeping car, everybody can go confidently to sleep. This procedure accomplishes two things. A modest income is provided for a list of government officials and employees, and what is of greater moment, the financial community is lulled into a sense of fancied security very far removed from the reality. It could not be otherwise than that this governmental inspection should occasionally do some good, but unquestionably the confiding faith in its effectiveness, upon the part of management and investors alike, has been the root of a manifold greater harm than all the good that has been accomplished.

At a time when agitation is rife in this country for an extension of Federal supervision and inspection the fact may as well be faced that governmental inspection of accounts is, and in the very nature of the case must be, a failure. A bank may suffer from dishonest officials or clerks, may be stripped almost to its furniture, and when forced to close its doors the story is, with unvarying regularity, that the official examiner time after time has come and gone. A year ago

it was a favorite form of advertisement for certain insurance companies in New York City to recount the number of states and governments that made frequent and rigid (so called) inspection of their affairs — and yet could the world have been treated to a greater *exposé* of the wretched inefficiency of this system of official inspection!

Bureaucracy and official red tape, which are inseparable from popular government with its divided responsibility and indirect means of control, can never regulate the accounting of a great business corporation with its compact, centralized organization. This is history as well as common sense.

A simpler and much more effective means of insuring fair and accurate statements of condition from corporations will be secured when public opinion demands that such statements, whether issued by directors for public information or by promoters as a means of securing subscriptions to proposed stock or bond issues, shall be accompanied by the certificate of a reputable public accountant. As stated above, some of the larger corporations in this country do publish such a certificate, while hundreds of others have such audits made for the satisfaction of the management. That corporations which are now inspected by government officials would not be averse to a general public demand for a certificate of audit by a responsible accountant, is evidenced by the public announcement of at least one of the "big three" insurance companies that such a certificate will be hereafter a permanent feature of its published reports.

Further indication of an awakening to a realization of the insufficiency of official inspection is found in the fact that in one of the largest cities of the country fully one-half of the banks and trust companies are now examined by public accountants employed and paid by the directors, who are also compelled to pay an additional fee for governmental inspection. The same practice is being widely adopted by banks in all the leading cities, and it is safe to predict that within ten years the audit by a public accountant and the publication of his certificate will be virtually a universal practice among well managed banking institutions.

The public conscience has recently been awakened to an extent that many things, previously overlooked as being a necessary yielding to conditions too entrenched to be overcome, can no longer be so treated. But much of the good that may be secured from this ethi-

cal revival will be lost if the public throws upon a governmental department a responsibility that should rest directly upon its own shoulders.

As an outgrowth of his business experience the public accountant has, it might be said, almost fallen into another relation to his clients — that of a business counsellor. To be successful a public accountant must be much more than merely a man of figures. He must get back of the figures to the conditions which they represent so that he can properly interpret them. He needs to know a great many things, and some of them he should know thoroughly. Aside from his preliminary education and knowledge of accounts he should be equipped with a knowledge of finance and the rules, customs, and general laws relating thereto, a reasonably comprehensive knowledge of the processes in at least the leading lines of manufacture, and an understanding of the uses, sources of supply, and means of acquiring raw materials. He should be familiar with the methods and customs pertaining to the distribution of goods, the operations of credit in its various relations, the most approved forms of business organization, and, while he is not a lawyer and should scrupulously avoid trenching upon the functions of the lawyer the public accountant should nevertheless possess a wide acquaintance with legal principles and their application to business affairs.

The field into which the public accountant has recently found his way is one in which he comes into a close and delightful relation to his client, and in it he is afforded an opportunity for the exercise of his best talents. Already in possession of the inside history of his client's business, and viewing the situation from an unbiased standpoint, supported in his conclusions by his knowledge of many other businesses, and with his reputation and standing in the community dependent upon the exercise of his best judgment, coupled with unswerving loyalty to his trust, the public accountant is worthy of the confidence of the client who consults him upon the problems of policy and administration confronting the organization for which he is responsible.

It seems almost certain that in the future development of accountancy the field of business adviser will form an important part. If this prophecy is fulfilled it will benefit the business community as a whole in that a well defined want will be supplied, and it will be of enormous advantage to the accountancy profession through the in-

crease of responsibility it will bear and its enhanced appreciation in the eyes of the business community.

The legal position of accountancy was not defined anywhere in the United States until 1896, just ten years ago at this writing, when in New York State the first "certified public accountant" or, more briefly, "C. P. A.," law was enacted. Similar laws have since been passed in Pennsylvania, Maryland, New Jersey, Illinois, and a number of other States, and have now become general. While differing in details these laws prescribe the means by which a practitioner may obtain legal recognition through examinations set by State authority. The certificate granted to those passing the examination protects the use of the title "certified public accountant" and the letters "C. P. A.," and imposes certain penalties for breach of faith or for unprofessional conduct. The C. P. A. laws do not yet, however, prohibit others from practicing as public accountants. In States where such laws are in force and a definite, even though minimum, standard is thus set up, public opinion is crystallizing in favor of the accountant who meets the legal requirements, while it looks with some doubt upon the man who practices without a certificate.

These laws are generally recognized as only first steps which, with the growth of business and the increase of the accountant's responsibilities, must be followed by further enactments tending to raise the standard of proficiency and fixing more definitely the measure of legal obligations necessary for the protection of the public. Such laws can only determine the degree of attainment below which an accountant may not engage in practice, but the profession generally recognizes the fact that the moral responsibility resting upon its members is and must remain always in advance of those requirements set forth in the letter of the law.

To creditably discharge the functions of a public accountant a person must possess native ability of at least a fair order and acquire attainments that rightly entitle him to claim rank as a professional man. His position is increasingly one of responsibility, dignity, and influence in the community. As yet, however, and this must be viewed as a temporary condition only, entrance to the profession is not by standards of training that are either very high or well defined, and it is more profitable to consider the subject of requirements of preliminary education and training from the standpoint

of the individual who wishes to be efficient and successful in practice.

To the young man about to decide upon a life career certain questions must be answered by each calling that presents itself for his consideration. Assuming that ease and the speedy acquisition of wealth are not the prime objects the young man has in mind, these questions are likely to be along the line of inquiry as to the permanency of results, breadth of personal development to be attained, and public appreciation to be enjoyed. Again, assuming that accountancy has made satisfactory replies to all these questions, the next interrogation of the young man will have reference to the best means of equipping himself for a career as a public accountant.

There is no royal road in accountancy, and he who would build high must first content himself by digging deep and wide his foundations. We have already seen that the public accountant is now called upon to discharge duties at once precise in details and comprehensive in scope, often requiring moral courage as well as mental discernment; and that in all probability the future will make much greater demands. To meet these he should have a thorough training in mathematics, including some degree of facility in the methods of statistical display. He must be able to present the results of his investigations in a written report and oftentimes must discuss matters of importance in meetings of various sorts, as well as appear in the exacting rôle of a witness in court. To meet these requirements he should command a ready, clear and forceful, if not graceful, use of the mother tongue. These are fundamental in accountancy. In fact, an education intended to fit a man for business life in any field should devote more attention to these subjects than is generally done by either schools or colleges. It is amazing to see how few business men, relatively, can write a concise, unequivocal, yet graceful letter.

After these branches should next be placed economics, not necessarily a full course of political economy as generally taught, but rather economics in closer relation to the every-day facts of business. Next should come an acquaintance with a foreign language, German, Spanish or French, one or all. The history of commerce should also receive considerable attention that the student may better understand the setting in which he finds the world of commerce

to-day. These are some of the studies on which special emphasis should be laid.

The question is sometimes asked, Should a young man who contemplates accountancy as his life work complete a college course, or is an academic or high school education or its equivalent sufficient?

Opinions differ among business men as to the value of a college training. Certain it is that the curriculum in the average college contains studies that are at least disproportionate if not absolutely of minimum business value. Even as mental discipline, they are of no greater importance than other studies which have the advantage of dealing with subjects directly and constructively related to modern life. Until recently such subjects were conspicuously absent from the curriculum. Educators are beginning to realize the necessity for a closer contact between institutions of learning and the everyday life of the community. Commercial education, out of the obvious necessity of the case, has forced its way to the front and is giving new direction to the trend of educational methods which have been fixed for so long as to be held as almost sacred. The same is true of manual training. Indeed the whole matter of educational values is in its new birth, and accountancy must not be left out of the count.

Most American universities have now made some provision for the teaching of business subjects, and many that have not done so are earnestly considering the matter. The University of Pennsylvania and the New York University have taken advanced ground, and are now offering courses of study which, while liberal and comprehensive, are quite practical. In both these institutions accountancy and branches relating thereto receive marked attention.

In almost every field of effort, the number of men who have been successful without the advantages (and disadvantages) of a college training, would seem to prove that such a training is not essential. This much may be freely granted, but it is to be remembered that these successes were achieved in spite of, and not because of, this deficiency. The exceptional man will surmount difficulties, but that is no reason why the average young man should wilfully and unnecessarily encounter them.

The duties of a public accountant call for the exercise of a wide range of powers by a mind trained in, or at least in appreciative

touch with, many technical subjects; but, most of all, qualified to deal with complicated and delicate problems in a broadly judicial spirit. To accomplish this a young man requires discipline and training, and while he may succeed with only a common school or a high school education he is none the less handicapped by the lack of a more thorough training. On the other hand, the college graduate must not complacently overestimate himself by assuming that *because* he has been through college, he is therefore trained to competency.

If it is at all practicable a man desiring to enter the young profession of accountancy should add to his high school work a three or four years' course in a college or a university, devoting special attention to business subjects. He should next aim to spend at least three years as an assistant in the office of a public accountant. This training in practical work is a necessary supplement to classroom instruction for all professions, and must be insisted upon in accountancy as much as in law and in medicine. The decline of the old preceptor-and-student system is a misfortune and accountancy should revive and insist on it as an essential coadjutor of the college. It is in this way that the young practitioner can best acquire a knowledge of human nature and most of all of the intimate and confidential nature of his relation to his client. It is in this way too he can best begin to adjust himself to a true professional attitude. This attitude is one that demands a full appreciation of the confidences that must of necessity exist between a professional man and his client. The obligation of secrecy in accountancy is as important and must be as clearly recognized as in the other professions. Many students would be unlikely to realize how absolutely vital this is until trained by experience.

Accountancy has now been recognized as a profession by legal enactment in at least seven States, and by leading educational institutions in the courses of study they are offering. As a profession it offers to young men a life work of dignity and wide usefulness, with financial rewards comparable to other and older professions. On the other hand, it demands of those who would wear its laurels, not only ability, tact, and common sense, but also courageous devotion to absolute truth, honor and justice. There is no profession in which high moral character is more essentially coupled with mental gifts and acquirements together with a capacity for vigilance and hard labor.